THE CITY OF WINNIPEG

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The Year in Review

The City of Winnipeg is located at the junction of the Red and Assiniboine Rivers, almost at the geographic centre of North America. With an ethnically diverse population of 610,300 (or 60% of the provincial population), Winnipeg is characterized by slow but steady growth. It is the seventh largest city in Canada and dominates the Manitoba economy.

Winnipeg is a major centre for finance, communications, grain, and transportation.

It has the most diversified secondary manufacturing base of any Canadian city, well supported by an equally varied range of service industries.

Winnipeg is home to two universities, a community college, four professional sports teams, and a host of professional arts groups.

Although Winnipeg's diversity has traditionally guaranteed a stable economy, the effects of the recession presented unique challenges in 1991.

Housing prices remained among the most affordable in Canada, however housing starts declined. Unemployment rose to 10%. As in other Canadian jurisdictions, social assistance rolls grew dramatically in Winnipeg in 1991.

Addressing the effects of the recession with an eye to securing a financially sound future was a prime concern for the City government. In spite of the difficult economy, and a precipitous drop in interest rates early in the year that affected earnings on some City investments, Winnipeg ended 1991 with a consolidated surplus of $18.6 million, or 2% of its total revenues.

Message from the Acting City Treasurer

I am pleased to present the audited Consolidated Financial Statements of The City of Winnipeg for the year 1991. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of The City of Winnipeg. All disclosures necessary to enable the reader to gain an understanding of The City of Winnipeg's financial activities have been included.

This year marks a major departure from prior years, in reporting the Annual Financial Statements. Indicative of the many changes that are taking place in city government, the requirement for improved communication has necessitated a change in format from the traditional Annual Financial Report published previously. Our politicians, the public we serve, investors in our debenture debt, the media and senior levels of government are demanding more meaningful, understandable and concise information. In order to accommodate these demands a new corporate style format for this report has been designed, and in addition, a more detailed City Treasurer's Report will be published which provides the supporting Audited Statements of each of the separate accountable units of the City including other information such as tax levies, assessments, debenture debt analysis and capital expenditures. The two reports combined allow for the complete disclosure of Financial Statements and other relevant information, but give the option to the reader as to the level of detail.

Of the many events during the year, of major financial note were the following:

- Borrowing activity in 1991 included only amounts required for refinancing purposes. New borrowing was deferred until 1992 in anticipation of more favourable interest rates. The refinancing issue was for $38.27 million at 10% at par maturing November 1, 2004 and was purchased by way of a private placement with The City of Winnipeg Sinking Fund Trustees.
- City Council reduced tax-supported borrowing through means such as financing more capital projects on a "pay-as-you-go" basis or with a user-pay philosophy. The tax supported borrowing required in the yearly capital estimates has declined from $88.6 million in 1990 to $61.7 million in 1991, and will decline further in 1992. The Finance Department is very supportive of these steps to reduce the long term debt.
- The first reassessment of business taxes in seventeen years was undertaken, which brought annual rental values up to 1985 levels. The statutory rates utilized were subsequently challenged in the Court of Appeal by various businesses, and ultimately required remedial legislation to be passed by the Province. A Business Tax Task Force has been established to identify business tax options for 1993 and future years.

I take pleasure in acknowledging the co-operation and assistance received from the members of The Board of Commissioners, Department Heads and other officials of the City's various departments. I would also like to thank the staff in all the Branches of the Finance Department for their loyalty and support over the past year. During the year there were an unusually large number of staff changes throughout the department, mainly due to retirements, yet through dedication and hard work the ongoing operations were maintained. At the same time we were successful in accomplishing a number of new goals and objectives.

The cooperation and assistance rendered by officials of other levels of government is also gratefully acknowledged.

R. Keith Dowdall

R. KEITH DOWDALL
ACTING CITY TREASURER

Message from the Mayor

The new corporate style format of the City's Annual Financial Report presents a unique opportunity to reflect on the happenings of the past year. In our municipal context it provides as well, an opportunity to report to the citizens of our City.

Section 28(1) of The City of Winnipeg Act states "The Mayor is The Head of Council and the Chief Officer of the City". This provides for an important blending of both political and quasi administrative roles. However, it should not be confused with the role of the City's Chief Commissioner, who is the Chief Administrative Officer of the City and Chairman of the Board of Commissioners.

While this arrangement has worked well over the years, even closer consultation between City Council and the Administration during the past year has allowed us to establish clearer policies, emphasize more responsive service to our citizens, and stabilize our financial affairs.

Economic conditions have been difficult in Winnipeg and throughout Canada in 1991. Federal and Provincial Governments continue to "down load" services and financial obligations onto the municipalities. Winnipeg has been no exception.

With increased demand for social welfare assistance due to high unemployment, expense pressures continue on the City budget. Reduction of staff positions, mainly through attrition, has somewhat moderated these pressures, and careful management of spending by departments has enabled tax increases to be kept at a rate below inflation and to provide for a balanced budget.

It should be noted that even in recessionary times municipal budgets do not have the flexibility enjoyed by private sector organizations. Water and hydro electric power must still be provided, snow must be ploughed, parks maintained, roads repaired and transit service continued. The City cannot discontinue essential services even under difficult economic conditions.

However, City Council did reduce its capital borrowings substantially thus avoiding future increased interest charges. The net tax supported debt of The City of Winnipeg is approximately $844 per capita compared to the Provincial debt of $8,841 per capita and the Federal Government's debt of $12,818 per capita. Moreover, were the City not to borrow any further funds, it would be debt free in approximately 18½ years.

It has always been my view that municipal government has a much greater role to play in the lives of its citizens than simply supplying basic services. The Core Area Initiative Agreements; grants to various artistic and sporting groups; support for the establishment of the new Virology Laboratory; and construction of the Leo Mol Sculpture Garden all add immeasurably to the enhancement of the quality of life of our citizens.

It is my hope that through continued cooperation among the members of City Council, the senior administrators and the members of the various line departments, we can deliver even better service to the people of Winnipeg, whom we are all here to serve.

WILLIAM NORRIE, Q.C.
MAYOR

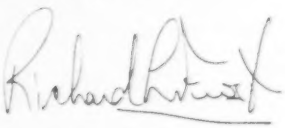
Message from the Chief Commissioner

What are the most desirable characteristics of any municipal government? As part of our corporate planning process, The Board of Commissioners began to address this fundamental question in 1991. We concluded that the City's administration should seek to be future-focused, and so we committed to continuous improvement in fiscal responsibility and service delivery. For success, we also committed to strengthen the productivity of our workforce and to ensure that all staff understand the continuous improvement philosophy.

This Annual Financial Report is, in itself, a tangible example of corporate values at work. The significant change in format from previous years, responds to an identified need to improve our communication in many areas, including that of finance. This change is one element of a much broader initiative. It complements the development of a consolidated financial statement, the publication of the award-winning series of "Budget Topics" newsletters, the introduction of a three-year operating forecast, the issuance of an annual consolidation of user fees and the inclusion of policy commentary in City budgets. In future years, the timing and content of this report will continue to improve to answer the needs of its audience.

The following pages refer to only a few examples of the vast scope and diversity of municipal operations. Every service contributes in some way to the overall quality of life enjoyed by the residents of Winnipeg. While acknowledging a desire to see incremental improvements in our quality and productivity, it is equally important to recognize the ongoing efforts of City employees who work on the front lines to satisfy our customers. It is often their personal commitment and pride of work which allow them to address the conflicting demands associated with public service delivery.

We believe that this report conveys not only the accomplishments of 1991 but also the direction for 1992 and beyond. We, in the Administration, are very grateful to City Council for its significant commitment to dialogue on budgetary policy. This investment of time and effort will undoubtedly strengthen our long-term financial position.



RICHARD L. FROST
CHIEF COMMISSIONER

Message from the Commissioner of Finance and Administration

The primary focus of The City of Winnipeg in 1991 was to build on results achieved in 1990 in the development of a sound financial plan that will carry the City into the 21st century.

Like most North American cities, Winnipeg was faced with tough choices in 1991. Balancing limited resources with competing service needs and changing priorities is an ongoing concern for all municipalities. Addressing these issues under the pressure of a recessionary economy presented additional challenges.

Winnipeg met those challenges head-on. Two issues that had to be addressed were a growing debenture debt load, and real concern about the ability of property owners to bear further tax increases. Our City needed a fresh approach and a total commitment to change direction. The importance of establishing future-oriented programs was clearly articulated by the Administration and acted upon by Council.

Together we made substantial progress in the development of new financial management strategies to address revenue and expenditure imbalances. Fiscal responsibility and predictability were our guiding principles. Strategies were established for debenture debt reduction.

At the same time, we recognized that alternate methods of capital financing were required as the City's infrastructure rehabilitation and replacement needs are real and pressing. In addition, we implemented expenditure containment and service delivery rationalization programs to address the issue of rising realty taxes. We established long-term debt level and mill rate goals.

We continued the progress made on budget reform in 1990 by further curtailing capital spending and dependency on borrowing, streamlining the current budget information and review process, and introducing new approaches to service delivery and revenue generation. We placed greater emphasis on cash financing capital, involving pay-as-you-go and user-pay concepts.

Important gains were also made in program efficiencies and service productivity, which reflect the professionalism and dedication of civic staff. Improvements at all levels of administrative activity enhanced and supported corporate financial initiatives.

In terms of labour relations, we signed collective agreements with four of the City's nine unions: The Canadian Union of Public Employees, The Amalgamated Transit Union, The International Association of Machinists and Aerospace Workers, and The Manitoba Nurses' Union.

A major focus during the year was renewed emphasis on problem solving in the workplace. Collective agreements were modified to provide a more streamlined dispute resolution process. Training was initiated to provide skills in, and encourage the utilization of mediation and conflict resolution. These supported the corporate commitment to building trust and teamwork in the workplace.

Together we achieved success on all fronts in 1991. The Board of Commissioners, with the support of senior management and staff throughout the organization, demonstrated the will to deal pragmatically with hard issues. Although we made significant progress in a short time, we harbour no illusions. Our work is not done, nor can our vigilance be diminished. Complex problems are not resolved overnight. Indeed, many of the benefits of these new strategies will not be realized immediately.

In 1991, the Administration made a commitment to constant improvement–in financial management, quality service delivery, commitment to staff, and open communication. Publication of this Annual Financial Report for the first time in this accessible format demonstrates that commitment, and our desire to be accountable in all we do.

In 1991, the City established a solid framework for ongoing financial stability. We are confident of a strong and positive future for Winnipeg.

WILLIAM D. (BILL) CARROLL
COMMISSIONER OF FINANCE AND ADMINISTRATION

1991 City Council

His Worship Mayor
William Norrie, Q.C.

Rick Boychuk
(Transcona)

Dave Brown
(Waverley), Deputy Mayor

Bill Clement
(Charleswood)

Doreen Demare
(Riel House), Acting Deputy Mayor

Peter Diamant
(University)

Bob Douglas
(Grant's Mill - Stevenson), Chairman, Committee on Protection, Parks and Culture

Terry Duguid
(Miles Macdonell)

Jae Eadie
(Deer Lodge), Speaker

Larry Fleisher
(Assiniboine Park)

George Fraser
(St. Charles)

Ernie Gilroy
(Daniel McIntyre), Chairman, Committee on Planning and Community Services

Allan Golden
(Glenlawn)

Sandy Hyman
(River Heights), took Oath of Office May 29th, 1991

Peter Kaufmann
(Seine Valley)

Harry Lazarenko
(Mynarski)

Chris Lorenc
(Sisler), Chairman, Committee on Works and Operations

Christine McKee
(River Heights), resigned March 31st, 1991

Gloria Mendelson
(Kildonan Park)

Don Mitchelson
(Henderson)

Glen Murray
(River-Osborne)

Mike O'Shaughnessy
(Jefferson)

John Prystanski
(Point Douglas)

Evelyne Reese
(Langevin)

Greg Selinger
(Tache), Chairman, Committee on Finance and Administration

Lillian Thomas
(Elmwood)

Donovan Timmers
(Westminster)

Shirley Timm-Rudolph
(Springfield Heights)

Alan Wade
(Notre Dame), Deputy Speaker

Roger Young
(Pembina-Riverview)

Joseph Yuen
(Redboine)

The Board of Commissioners

Richard L. Frost
Chief Commissioner

William D. (Bill) Carroll
Commissioner of Finance and Administration

Rod McRae
Commissioner of Works and Operations

Loren Reynolds
Commissioner of Protection, Parks and Culture

Tom Yauk
Commissioner of Planning and Community Services

His Worship Mayor
William Norrie, Q.C.,
Ex-Officio

Dave Brown
Deputy Mayor, Ex-Officio

Department Heads

Jake Enns
Director, Ambulance Service

Robert Brown
City Assessor

Philip Townsend
Acting City Auditor

Mel Shibley
Director, Budget Bureau

Bob Hayes
City Clerk

Bud Halkewycz
Director, Civic Properties

Ken Sigesmund
Director, Computer Services

Roy Darke
Director, Planning

Walter Bilow
City Treasurer

Barry Lough
Fire Chief

Dr. Richard Stanwick
Medical Health Officer

Jim Linton
General Manager, Winnipeg Hydro

Doug Holmes
Manager, Land Development

Patrick Hamilton
Director, Land Surveys and Real Estate

Frank Steele, Q.C.,
City Solicitor

David Weismiller
City Librarian

Norm Kasian
Executive Director, Municipal Hospital

Kel Stewart
Director, Operations

Jim Swail
General Manager, Parks and Recreation

Lea Frame
Director, Personnel

Herb Stephen
Chief of Police

Ed Van Mierlo
Director, Purchasing

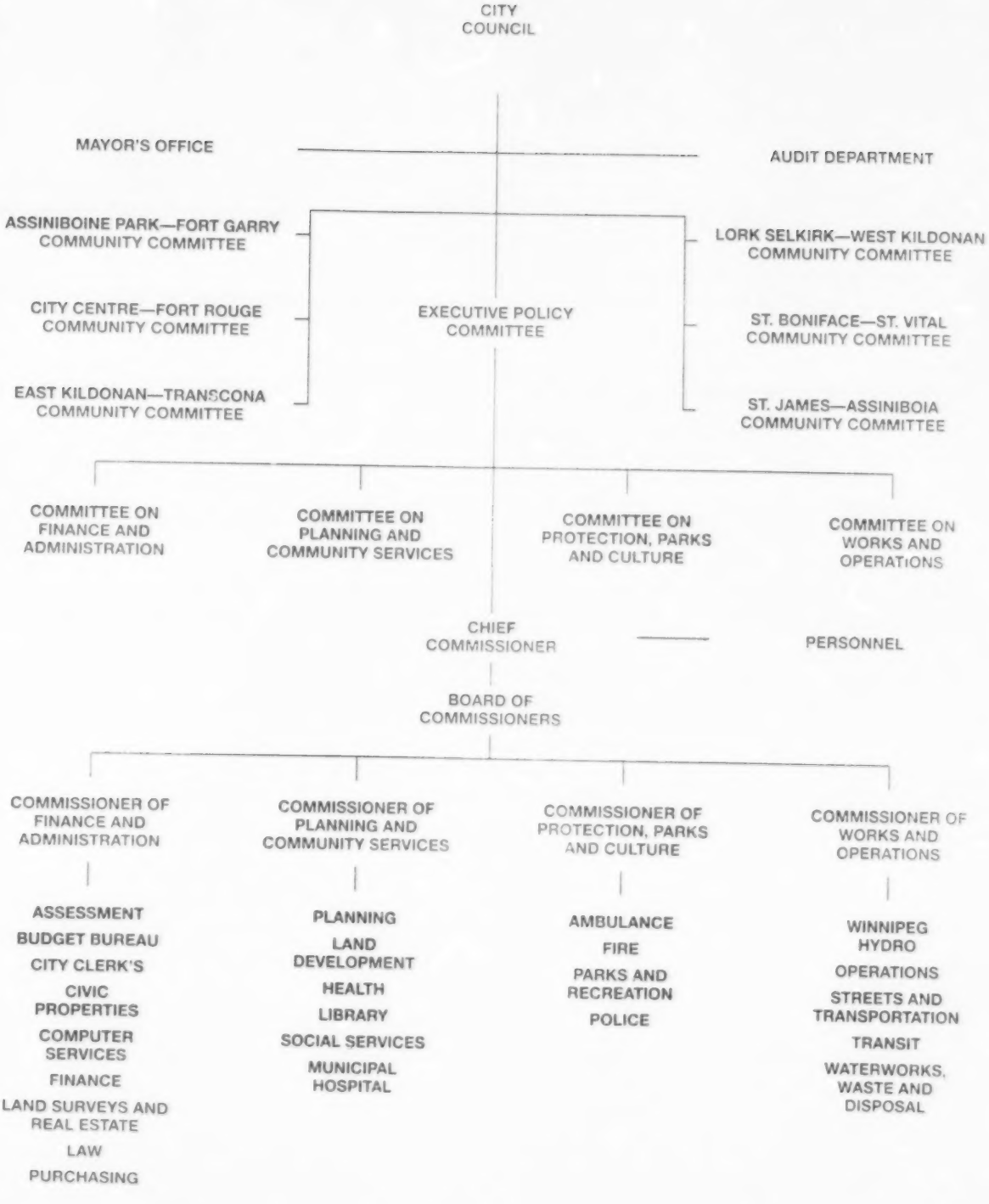
Dennis Lotto
Manager, Research and Policy Analysis Branch

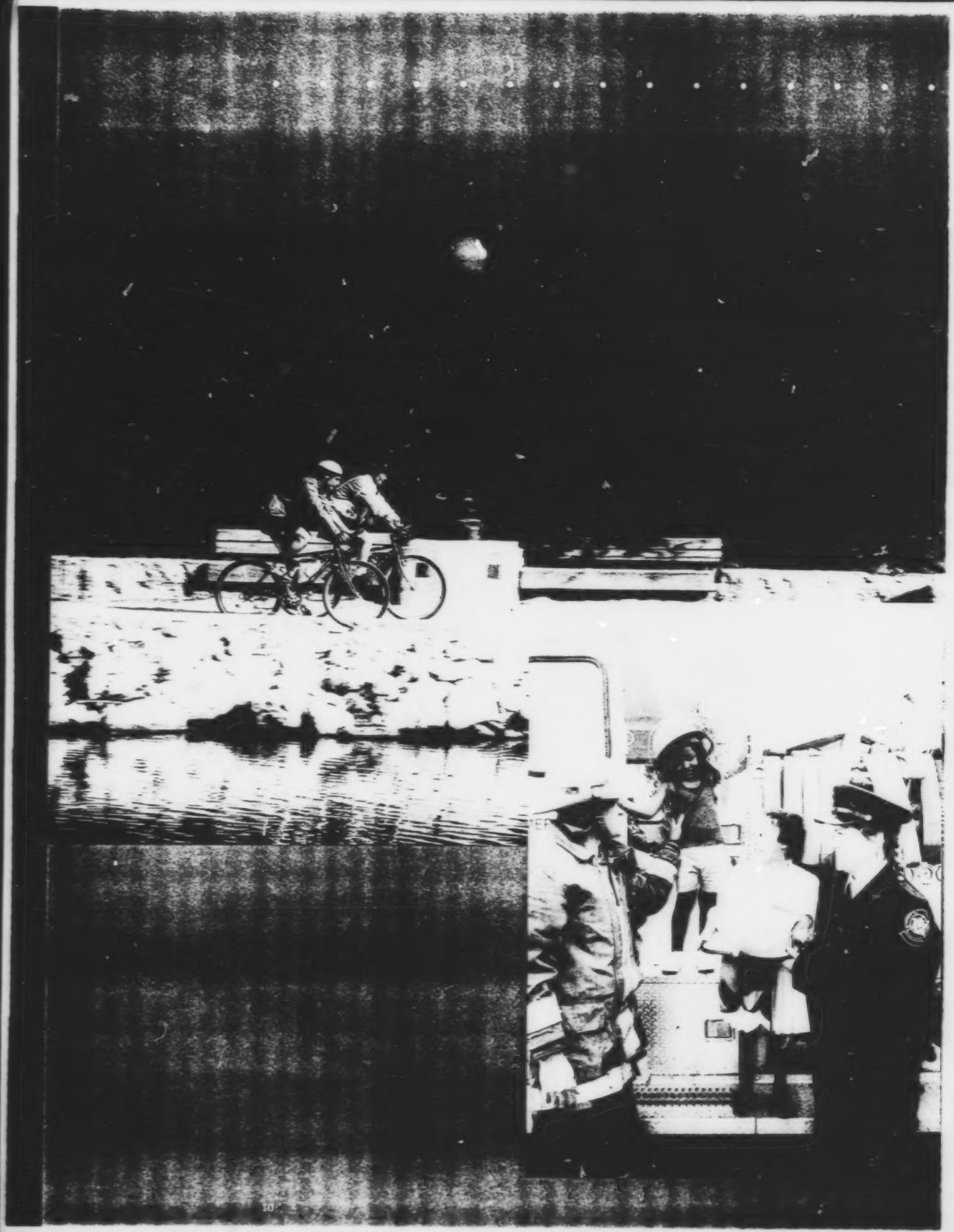
Russ Simmonds
Director, Social Services

Ted Clarke
Director, Streets and Transportation

Rick Borland
Director, Transit

Steve Yoshino
Director, Waterworks, Waste and Disposal


CITY COUNCIL
MAYOR'S OFFICE
AUDIT DEPARTMENT
ASSINIBOINE PARK—FORT GARRY COMMUNITY COMMITTEE
LORK SELKIRK—WEST KILDONAN COMMUNITY COMMITTEE
CITY CENTRE—FORT ROUGE COMMUNITY COMMITTEE
EXECUTIVE POLICY COMMITTEE
ST. BONIFACE—ST. VITAL COMMUNITY COMMITTEE
EAST KILDONAN—TRANSCONA COMMUNITY COMMITTEE
ST. JAMES—ASSINIBOIA COMMUNITY COMMITTEE
COMMITTEE ON FINANCE AND ADMINISTRATION
COMMITTEE ON PLANNING AND COMMUNITY SERVICES
COMMITTEE ON PROTECTION, PARKS AND CULTURE
COMMITTEE ON WORKS AND OPERATIONS
CHIEF COMMISSIONER
PERSONNEL
BOARD OF COMMISSIONERS
COMMISSIONER OF FINANCE AND ADMINISTRATION
COMMISSIONER OF PLANNING AND COMMUNITY SERVICES
COMMISSIONER OF PROTECTION, PARKS AND CULTURE
COMMISSIONER OF WORKS AND OPERATIONS
ASSESSMENT
BUDGET BUREAU
CITY CLERK'S
CIVIC PROPERTIES
COMPUTER SERVICES
FINANCE
LAND SURVEYS AND REAL ESTATE
LAW
PURCHASING
PLANNING
LAND DEVELOPMENT
HEALTH
LIBRARY
SOCIAL SERVICES
MUNICIPAL HOSPITAL
AMBULANCE
FIRE
PARKS AND RECREATION
POLICE
WINNIPEG HYDRO
OPERATIONS
STREETS AND TRANSPORTATION
TRANSIT
WATERWORKS, WASTE AND DISPOSAL



Strengthened Commitment to Long-Term Planning

Achieving long-term financial stability requires careful planning in all spheres of organization activity. In this respect, Winnipeg took major strides in 1991 to ensure a prosperous and secure future.

Most significantly, Plan Winnipeg, the City's long range development plan, underwent a major review through an in-depth public consultation process known as Review '92. The process involved a unique partnership of administrative and political levels working together to meet and share ideas with all facets of the community. Coordination and administrative consultation to the review process was managed by the Planning Department.

Plan Winnipeg is the most important policy document prepared by The City of Winnipeg. The revised plan, to be presented to Council in 1992, will address physical, social, economic and environmental conditions in the city. All other civic documents, budgets, public works, programs or developments initiated or approved by the City must be consistent with this plan.

As a long range plan, it provides a framework for decision making. While setting a clear direction for the City, Plan Winnipeg also offers flexibility through a process of continual review that accommodates changing needs and circumstances.

The General Directive that Council gave the Administration in August 1990 set the stage for further planning in 1991. It states that the City Administration be given general direction to pursue constant improvement in quality and productivity by placing continuing emphasis in four key areas:

- Long-term financial stability
- Quality client service
- Commitment to staff
- Positive attitudes and open communication

Plan Winnipeg and the General Directive are a natural lead-in to the process of strategic planning by civic departments. An internal report developed by The Board of Commissioners, "Toward a Strategic Plan", lays the foundation for more detailed administrative planning in the four areas listed in the General Directive. The strategy outline includes short, medium and long-term objectives.

Each of these key areas reflects corporate commitment to continuous improvement, first articulated and embraced by Council in 1990.

Long-term Financial Stability

Long-term financial stability is pivotal to all other City activities. It is essential for the achievement of service, staff development, and communication goals. At the same time, our ongoing commitment to these goals provides vital support for a sound financial future.

Together, Council and the Administration continued progress begun in 1990 on financial planning and budget reform. During the year, we also introduced strategies to address:

- Debt reduction
- Realty tax issues and revenue base restructuring
- Strengthened business community liaison
- A more responsive budget process
- Greater predictability

Quality Client Service

The scope and quality of City services affects the quality of life of all its citizens. The City operates hydro, water and waste utilities, provides police, fire and ambulance services, ensures that transportation and infrastructure needs are addressed, and provides recreational, cultural, social and health services.

Through the efforts of staff at all levels, we successfully realized continued improvements in service, efficiency and effectiveness.

We continued to take steps to effect future full separation between the City and the Municipal Hospital for greater efficiency in this important service area.

Program planning is an established and necessary practice within the Administration. In addition, in 1991, several departments initiated or completed more broadly based future-oriented strategic planning. The Audit Department completed its first full year of conducting operational (value for money) audits, which will serve to further enhance departmental planning in the future.

Commitment to Staff

The Administration believes staff development initiatives are a sound investment in the future. We therefore placed greater emphasis on the concept of continuous improvement in ongoing training offered through the Staff Training and Development Branch of the Personnel Department. Many departments undertook local staff training specific to long-term department objectives.

On a corporation-wide basis, with the assistance of the Personnel Department, The Board of Commissioners introduced a new compensation system and a revised annual review process for senior and union-exempt management staff. Both focus on teamwork and long-term development goals.

The Computer Services, Personnel, and Finance Departments together made significant strides on the joint development of a new Employee Management Information System (EMIS) to be implemented in 1992. The system supports the payroll and personnel functions and will facilitate better human resource planning.

Positive Attitudes and Open Communication

Stronger emphasis was given to more open communication in 1991. Recognizing the need for greater responsiveness in all City communications, The Board of Commissioners appointed an inter-departmental Communication Audit Committee to examine all communication activities and to develop a corporate communication strategy. Recommendations are expected in 1992.

In past years, The City of Winnipeg produced an annual financial report that was a compilation of financial data and statistics. In 1991, development began for production of a more contemporary corporate-style annual report for the year 1991, combining administrative highlights with selected financial statements and statistics. This document is the product of those efforts; our goal is to enhance it over time.

Managing our Future ~ A Debt Reduction Strategy

The City's total debt load is comprised of tax-supported debt, utilities debt, and debt incurred by two corporations of the City – the Winnipeg Enterprises Corporation and the Winnipeg Housing Rehabilitation Corporation. Our debt reduction strategy relates to the major areas of concern – tax-supported and utilities debt.

Debt charges comprised 18% of the 1991 tax-supported and utilities budgets and have been a major factor driving increases in mill and utility rates. As Winnipeg entered 1991, its net tax-supported and utility debt load was $756.4 million and was projected to continue rising. Combined with slow growth in the revenue base, this meant that funds available for programs were shrinking. We required new initiatives and alternate methods of funding needed works.

The Administration launched a new and comprehensive strategy to control and reduce debt, including:

- Re-examination of capital programs
- New debenture debt guidelines
- Expansion of user-pay levies
- Pay-as-you-go financing
- Alternate revenue sources

Re-examination of Capital Programs

The need for ongoing infrastructure maintenance and renewal is very real and compelling. It is not unique to Winnipeg – all municipalities face similar problems and challenges. What is at issue is how these costly programs are to be financed.

Recognizing that a commitment to reduce debt and taxes could also reduce our capability to invest in infrastructure, City Council and The Board of Commissioners agreed to a fundamental shift away from debenture debt and to cash financing. This strategy, while being more financially onerous initially will bear large dividends in terms of future benefits and lower debt costs. Spending priority also must be shifted to rehabilitation and renewal programs while deferring new capital works wherever possible. New emphasis was also placed on cost-sharing programs with other levels of government.

Debenture Debt Guidelines

As a strategy to direct current dollars into capital works, The Board of Commissioners approved a redefinition of capital programs which will see the threshold level rise over time from $20,000 to $100,000. This will reduce the amount of borrowing and increase current financing of major projects.

Council approved a 1991 tax-supported borrowing authority of $61.7 million. This marked the lowest borrowing level since 1984 – a major and positive step toward debt containment. Our plan is to further reduce tax-supported borrowing authority in 1992.

Another significant achievement in 1991 was the reintroduction of the five-year capital forecast which had not been completed the previous two years.

The 1992-1996 capital forecast embodied a net tax-supported borrowing authority averaging $68.6 million per year, compared to the $71.8 million average in the 1989-1993 capital forecast.

During the next year a considerable amount of work in restructuring the future forecast will hopefully result in a 1993-1997 five-year forecast that is a substantial improvement from a debenture debt perspective.

Finally, in 1992 Council will consider a policy recommended by the Administration that would see new projects introduced into the last three years of the capital budget, thus ensuring greater predictability on a year-to-year basis.

User-Pay Levies and Pay-As-You-Go Financing

User fees are the established norm as the major revenue source for water, sewer, and hydro utilities' current expenditures. The Administration recommended the expansion of the user-pay concept to pay for critical infrastructure needs, thus reducing debt financing requirements.

In 1985 the City introduced current financing of watermain renewals by means of a frontage levy. The levy, which is assessed against property fronting on residential streets, provided in excess of $8 million per year to cash finance this program. In 1991, the frontage levy was raised from $.85 to $1.10 per frontage foot to generate an additional $2.6 million. At this level of funding, the Watermain Renewal Program is totally cash financed.

The concept of current funding capital works in this manner can logically be extended to sewer and residential pavement renewal. In 1991 the Administration proposed restructuring the existing sewer levy and the institution of a street renewal levy; Council deferred its decision until 1992.

Another element of the revenue strategy was to raise rates, fees and charges in a predictable manner similar to that which had been in place for water and sewer rates since 1986. At that time, a five-year forward-averaging system was adopted that evened out sharp annual changes in the rates, by using the utility-retained earnings as a buffer. In 1991, water and sewer rate increases were approved averaging 7.3% and 10.7% respectively over the next five years.

Another new initiative involved solid waste disposal. Tipping fees increased from $7.50 per tonne in 1989 to $25 per tonne in 1991, with a further $5 per tonne increase approved for June 1992. At this level, tipping fees could totally support the solid waste disposal operation and plans were laid to establish it officially as a separate municipal utility in 1992. Similar efforts will also be pursued toward establishment of a land drainage utility for implementation in 1994.

To address fee structure inconsistencies, the Administration instituted annual review and updating of other user fees such as permits, licenses, fines, and sales. A comprehensive rate manual was developed that listed all City fees and charges, the date last amended, and the rationale for the charge.

Overall, the user fees sector generated some $337 million during the year, or 37% of total City revenue.

Alternate Revenue Sources

To further reduce the need for borrowing, the City identified a number of potential alternate revenue sources to fund specific projects. The idea was to target new revenue sources to specific related needs areas. Some of the concepts involve gaining authority to access proposed tax revenues on gasoline and motor vehicle registrations, land transfers, and hotel/motel rooms. These initiatives require provincial government approval which has not yet been obtained. Discussions are continuing.

Environmental Concerns – Assessing The Impact

The City's emphasis on thoughtful long-term planning is given added impetus from increasing public and political concern for the environment. Virtually all areas of municipal activity are now affected in some way by environmental considerations. Addressing these issues responsibly requires careful analysis of cost, benefits, and complex, often competing priorities.

The publication "Environmental Issues: A City of Winnipeg Status Report", articulated our commitment to ongoing analysis and review of the City's environmental stewardship.

While the costs and benefits of some programs are easily measured, others are less tangible and will only be fully assessed over time. This highlights the need for long-term planning to ensure a financially and environmentally sustainable future.

The following represent a small sampling of many programs and initiatives undertaken in 1991:

- Continued exploration of waste minimization and recycling programs, through support of a variety of new and existing pilot recycling programs including expanded paper recycling in civic buildings.
- Initiation of a long-term water conservation program and public awareness campaign.
- Expansion of the energy conservation program, including continued conversion to energy efficient street lighting.
- Implementation of the Power Smart program for financial, environmental, and service benefits.
- Participation in Clean Environment Commission hearings to establish water quality objectives for the Red and Assiniboine Rivers. The Commission will report in 1992.

Responding To Taxpayer Concerns ~ a Realty Tax Strategy

In response to taxpayer concerns during a recessionary period, we focused energy on addressing revenue and expenditure issues.

Following a prolonged period of below inflation increases, property tax increases were approved for 1990 and 1991 averaging 8.4% and 4.78% respectively. Winnipeg, like other municipal jurisdictions, experienced taxpayer resistance and call for reform.

It is widely perceived that the City's property taxes are relatively high and that the way to lower them is to cut costs. In fact, Winnipeg's tax-supported expenditures are the second lowest per capita of ten comparable cities. Over the past four years, overall departmental expenditures have increased at less than the rate of inflation. City departments - including Fire, Transit, and Library - have per capita operating costs among the lowest in Canada as measured by independent sources.

Historically however, unlike many comparable jurisdictions, Winnipeg has relied more heavily on property taxes than on other sources of revenue. In 1991 property taxes accounted for some 50% of funding for general municipal operations. Recognizing that this places a burden on property owners, particularly during a recession, we committed to a long-term realty tax strategy to maintain increases at or below inflation.

The strategy involves attention to the following:

- Service rationalization
- Improvements to assessment and tax collection systems
- Revenue base restructuring

Service Rationalization

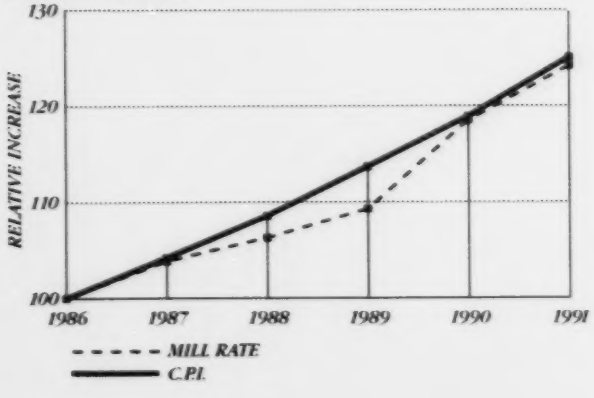
Responsible stewardship of taxpayer dollars requires that services be provided both efficiently and effectively. Although steady productivity gains have been accomplished over the years, we are committed to continuous improvement in service delivery.

As part of this process, rationalization of services will be an ongoing issue for the next few years. The 1991 operating budget reduced expenses by approximately $20 million, necessitating service adjustments and affecting some 275 full time equivalent positions. Importantly, a strategy of vacancy management allowed this to be accomplished without significant layoffs.

During the year an extensive review began of the kinds of services provided by the City. To help achieve organizational goals for improved service delivery, The Board of Commissioners undertook preliminary exploration of the concept of Total Quality Management. The Administration is committed to ensuring that service adjustments resulting from ongoing review will be implemented in a staged and thoughtful manner so as not to compromise the quality of programming.

To reduce administrative overhead and to streamline service, several departments reorganized, including City Clerk's, Streets and Transportation, Audit, and Personnel. Initial steps were taken toward amalgamation of parks districts, police districts and operating districts, the latter to begin with relocation of the Central Works Yard in 1992. Further amalgamations are planned in the future.

COMPARISON OF MUNICIPAL MILL RATE AND C.P.I.



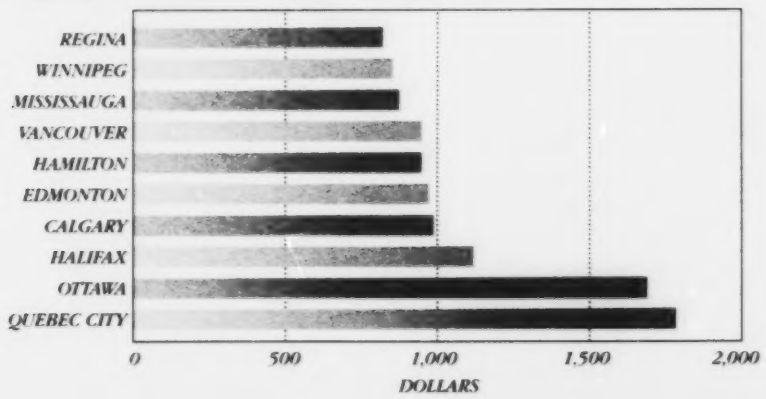
Realignment of responsibilities and service prioritization were examined. We also began discussions with the unions and the business community to explore privatization and contracting out in some areas.

Office automation, accomplished with the assistance of Computer Services, resulted in cost savings and increased productivity across the organization. Notable examples of this include:

- Completion of an automated library circulation system with online public access catalogues, resulting in a circulation increase of 3.4%.
- The introduction of state-of-the-art automated fingerprint identification in the Police Department.
- Continued expansion and implementation of a comprehensive Land Based Information System.
- Enhancements to emergency response systems, particularly for Fire and Ambulance.

Significant savings of approximately $1.25 million were realized by the Purchasing Department through new contract methods for fuel and other bulk purchases.

1990 PER CAPITA TAX SUPPORTED EXPENDITURES



Improvements to Assessment and Tax Collection Systems

REASSESSMENT

We achieved progress in terms of upgrading and modifying the assessment system to provide Winnipeggers with an accurate, uniform, up-to-date real estate valuation, classification and information system.

In 1987 Winnipeg saw the first total property reassessment in 25 years. This was to be the first in an ongoing series of triennial reassessments. In 1990 the second in the series took place. The transition to a more fair and equitable assessment system has been difficult. In 1991, although some $10.4 million was added to the tax rolls, assessment appeals cost the City $11.6 million for a net loss of $1.2 million. As outstanding appeals are dealt with, the City's assessment roll will stabilize, allowing for more accurate budgeting without the unpredictability of refunds.

Winnipeg is now well positioned compared to many other North American jurisdictions which have yet to face up to the move to a current market value assessment system.

REVENUE BASE RESTRUCTURING

Addressing realty tax issues involves restructuring the City's revenue base. To this end, other revenue source issues we addressed in 1991 were business tax adjustment and provincial grant levels.

BUSINESS TAX ADJUSTMENT

With respect to business tax, 1991 was a landmark year. For the first time since 1974, a reassessment of annual rental value took place. The new values were coupled with variable statutory rates and a three-year phase-in program was established to assist businesses with the transition to the new payment levels. Reassessment will now be triennial.

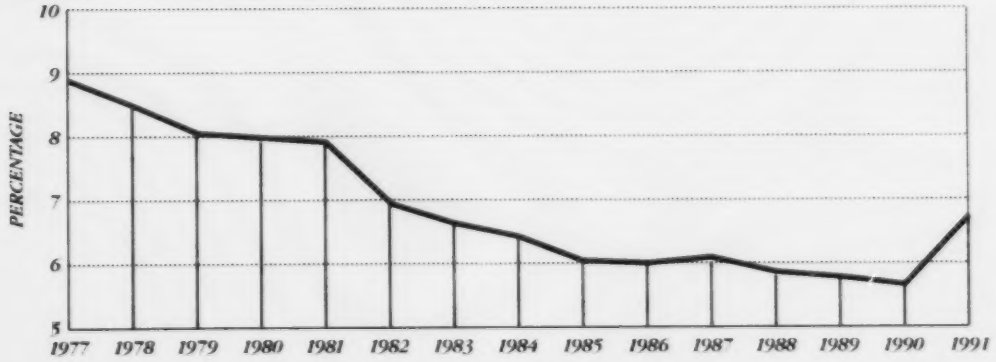
After phase-in costs, the revised taxes resulted in an additional $8.7 million in 1991. Business taxes represented 6.7% of total revenue in the General Revenue fund, compared to 5.6% in 1990. This is still below the 9.6% that business taxes represented in 1972 at the time of amalgamation.

To address increasing revenue requirements and in recognition of the City's dependence on residential property taxes, Council introduced policies to restructure the City's revenue base by increasing business tax revenues rather than further increasing property taxes.

Although the majority of businesses received tax increases of less than $300, 10% were over $1,000. A number of businesses vigorously opposed the 1991 tax, challenging the City in court. In December, the 1991 business tax roll was ruled invalid by the Manitoba Court of Appeal. The Province immediately introduced remedial legislation to address issues of interpretation determined by the court. Clarification contained in the legislation will assist the City in its planning and thus contribute to long term financial stability.

Due to a delay in re-certification of the tax roll until early 1992, the City was unable to enforce payment in 1991 of outstanding taxes due. Nevertheless, a 96% collection rate was achieved, a drop of only 1 1/4% over the previous year.

BUSINESS TAX AS A PERCENTAGE OF TOTAL REVENUE



PROVINCIAL GRANT LEVELS

Provincial funding represents the second largest source of revenue for Winnipeg.

The provincial operating grants to the City in 1991 were $112.7 million, of which $38.1 million was provided for social assistance. This was $5.7 million less than anticipated, equating to a 1.73% increase on the mill rate. Although a 7% increase over 1990, after inflation and compared to total revenue, the grant represented an actual decrease in funding, marking a steady decline since 1984.

The capital grant in 1991 was $15.9 million. While capital grants (excluding transit) from the Province are increasing in terms of actual dollars, they have not kept pace with inflation. In real terms they have decreased dramatically over the past decade.

The City intensified its lobbying of the Province on these and other issues in 1991, and reiterated the need for a long-term inflation-adjusted capital commitment as key to effective planning.

We also made representation concerning the property tax credit (which has remained unchanged since 1980), achieving greater autonomy over tax bill format and issuance, and the issue of cost sharing provincially legislated requirements.

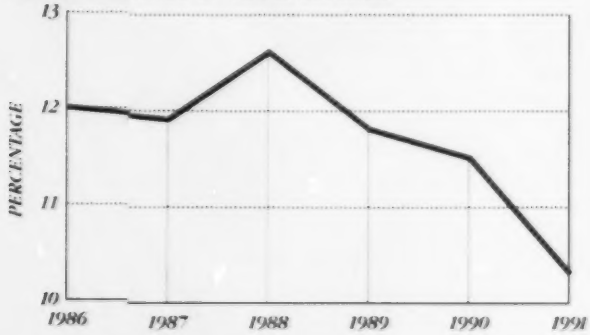
Other issues pursued with the Province revolved around Winnipeg's relationship with adjacent municipalities, and erosion of the City's tax base and planning authority. This was dramatically illustrated in December, when residents of the Headingley area voted in a referendum to secede from Winnipeg, citing taxes as a main point of contention. Hearings on the establishment of a boundary and disposition of assets are scheduled for 1992, at which time a number of issues regarding taxation and planning are expected to come to the fore.

TAX COLLECTION

Computerization of the tax system was underway in 1991 and preparatory work was completed that will provide property owners the convenience of paying realty taxes through automatic bank account deductions starting in 1992. This program - Tax Instalment Payment Program (TIPP) - is also expected to improve the City's cash flow.

Growth in tax arrears as a result of the recession had been observed since 1989 and is a concern for the City as these represent delayed revenue. It was felt that the existing penalty rate structure favored using the City rather than the banks as a source of funds. Accordingly, in 1990 Council introduced a variable penalty rate of prime plus 4%. The introduction of these penalty rates resulted in a halt to the pattern of increasing tax arrears.

COMPARISON OF TAX SUPPORTED PROVINCIAL GRANTS AS A PERCENTAGE OF TOTAL REVENUE



Excludes social assistance, health and support grants.

STRENGTHENING THE TIES ~ BUSINESS COMMUNITY LIAISON

The City is committed to ongoing dialogue and cooperation with the business community. This has resulted in numerous successful partnerships over the years. However, the 1991 business tax and its dramatic impact in some quarters highlighted the need for improved dialogue and cooperation in a number of areas. We implemented a strategy to strengthen the City's relationship with the business community and to facilitate mutual understanding, affirming our belief that where business interests are affected, business should have input to the decision-making process.

We established a Business Tax Task Force made up of councillors, Administration representatives and a cross-section of large and small business interests. The mandate of the Task Force is to examine and recommend improved levy and collection methods for business tax. We also initiated regular meetings with the Chamber of Commerce to discuss programs and issues of mutual concern. Partly as a result of these meetings, preliminary groundwork began for the future establishment of a business liaison office for the City. These proactive measures are expected to bear fruit in 1992 and into the future.

Regular meetings were also established with Winnipeg 2000, the City's economic development agency, to explore means of encouraging economic development and to streamline government processes to facilitate that development. Created in 1990, in 1991 Winnipeg 2000 launched a highly successful image campaign, "Winnipeg! Over 100 Great Reasons to Love It." Ongoing partnerships with business, the formation of local Business Improvement Zones and the Take Pride Winnipeg! program contributed to economic revitalization and aesthetic enhancement of the City.

Civic representatives and business leaders continue to cooperate on numerous committees and projects. Perhaps most significantly in 1991, the review and amendment of Plan Winnipeg, Review '92, involved extensive consultation with business in terms of clarifying the City's role in assisting economic prosperity.

As in the past, the City continued to promote tourism, the convention trade, and their related economic spin-offs through Tourism Winnipeg, Winnipeg Enterprises and The Winnipeg Convention Centre.

The City played a key role in terms of financial support ($1.5 million) and coordination assistance for the Canadian Football League Grey Cup '91 festivities in November. It was widely viewed as the best Grey Cup celebration ever. Also in November, Council endorsed a joint City-Province-private sector long-term proposal to preserve the Winnipeg Jets Hockey Club as a significant and viable contributor to the local economy. A study into the club's economic viability, and the feasibility of a new arena will begin in 1992, under the guidance of a steering committee.

OPENING THE DIALOGUE - EXPANDED COMMITMENT TO COMMUNICATION

In 1991 we made major strides in demonstrating our commitment to continuing improvement in open communication, both internal and external, by establishing a number of future-focused programs.

- Began corporate-wide Communication Audit process
- Developed corporate-style annual financial report
- Introduced "Budget Topics" newsletter series
- Completed first full year of corporate employee newsletter "The Civic Pulse"
- Successfully launched Awards for Civic Employee Suggestions Program (A.C.E.S.) to encourage employees to share ideas and concerns
- Released first annual "Environmental Issues: A City of Winnipeg Status Report"
- Published 1990 Administrative Review, a summary of departmental activity
- Established City of Winnipeg Information Centres in all library branches, making copies of Council minutes and City reports and publications available for review

A More Responsive Budget Process

Ensuring responsible fiscal stewardship in the long term requires fundamental reform of the budget process. Formally initiated in 1990, the key objective of budget reform is to make taxation and revenue collection systems more fair and equitable for all sectors of the community. Renewed emphasis was placed on the need for teamwork between Council and the Administration.

The 1991 current budget, including utility estimates, was the first budget produced following 1989 and 1990 amendments to The City of Winnipeg Act which significantly changed the budget process. The Act now requires Council to establish budget guidelines for the Administration. The current estimates then become a political statement about the direction the City government is to take. Although not without growing pains, the process produced better consensus, more public input, a superior evaluation of issues, and dialogue focused on factual information rather than conjecture.

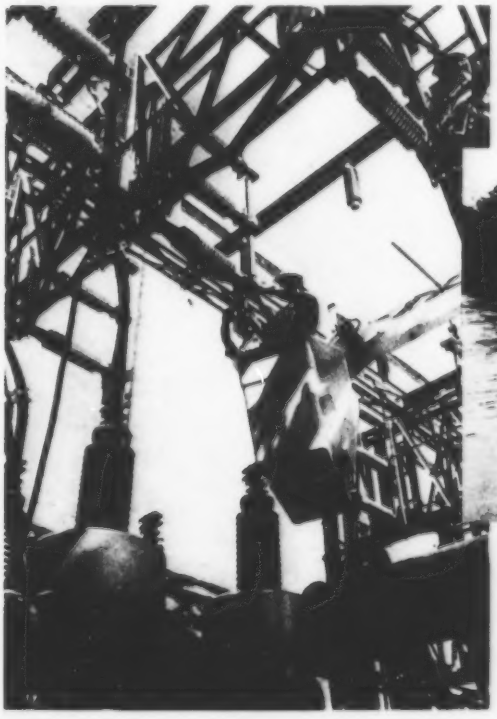
Council has never had more or better budget information than that received in 1991. For the first time a narrative overview was provided to assist in highlighting major aspects of the budgets. Better presentation clarified the relationship between the annual and five-year capital budgets. Current estimates included more policy level information through enhanced use of tables and graphs which facilitated analysis of program trends and financial issues.

Additional information in the form of the "Budget Topics" newsletter was welcomed by Council and the public. The series discussed in layperson's terms key issues affecting the municipal budget. Future volumes are planned on an annual basis.

Progress was made in terms of building predictability into the budget. Council approved:

- A three-year current budget forecast
- A five-year capital forecast
- Multi-year staged fee increases in selected areas

Preliminary steps were taken to revise other budget processes including making the format more program-oriented, less detailed and more informative; better defining the roles and responsibilities of Council and the Administration; and effecting approval of all budgets prior to January 1st.



No Surprises ~ Building Predictability Into our Systems

Long-term financial stability both implies and depends on building predictability into municipal systems. Predictability contributes to better internal plans, enhances accountability to municipal taxpayers, and allows business to budget for expected increases. In short, it eliminates surprises.

In 1991 we undertook a number of initiatives which specifically addressed predictability in financial issues. Key planning elements in this regard included:

- Plan Winnipeg
- "Toward a Strategic Plan"
- A debt reduction strategy
- Revenue base restructuring
- A five-year capital forecast
- A three-year current forecast
- Multi-year staged fee increases
- Annual review of fees and charges
- Business community liaison
- "Environmental Issues" report

These were supported throughout the organization by improved planning, greater efficiencies, enhanced productivity, and expanded communication. All of these contribute to the bottom line and to the long-term strength of the organization.

Through creative strategies and decisive action, we successfully built a solid foundation for a stable and predictable financial future for The City of Winnipeg.

Administrative Highlights

- Plan Winnipeg, the City's long-range development plan, underwent major review and expansion through a public consultation process, Review '92.
- The Audit Department completed the transition from conducting attest to operational (value for money) audits, and implemented comprehensive staff training in the new methods.
- A revised Annual Review and Development Plan for Management and Administration employees was introduced, and orientation provided.
- Four collective agreements were negotiated.
- A strategy was developed for the establishment of an integrated computerized assessment system.

- The Assessment Department developed an extensive education program on "income approach" to deriving the market value of commercial properties.
- The Computer Services Department assisted several departments with planning and implementation of microcomputer networks, including automated payment processing for utilities, and the Tax Instalment Payment Plan.
- The Tax Instalment Payment Plan (TIPP) was developed and promoted as a benefit to taxpayers and to improve City cash flow.
- Implementation continued for a Digital Base Mapping System -at the leading edge of this new use of technology in North America. When completed in 1994, it will form an essential component of the Land Based Information System (LBIS) initiative.
- The Law Department counselled staff in non-confrontational problem solving of labour matters to avoid costly grievances and arbitrations.
- The Ambulance Department introduced a Quality Assurance Program, a joint union/management initiative.
- Construction began on the Leo Mol Sculpture Garden in Assiniboine Park as a home to a donated collection of the internationally renowned artist's work.
- The Parks and Recreation Department implemented an ongoing Winnipeg Leisure Study.
- A pilot paramedic program for Advanced Life Support was initiated.
- A state-of-the-art Automated Fingerprint Identification System was introduced in the Police Department for greater crime-solving efficiency.
- The "Street Links" AIDS Outreach Program continued, with the aim of reducing the risk of HIV/AIDS infection in high-risk/hard to reach groups.
- Jointly with Winnipeg Harvest and the Health Sciences Centre, the Health Department piloted a surplus food program, generating national interest.
- Implementation of an Automated Circulation System was completed, and an Online Public Access Catalogue installed in all library branches.
- The Social Services Department coped with a dramatic 49% increase in case load levels due to the recession.
- Negotiations were completed for a 10 year extension of the Power Agreement with Manitoba Hydro, resulting in stabilized costs for power.
- Winnipeg Hydro realized a $16.5 million profit on its operations, the highest in its history-most of which was transferred to the City's general revenue.
- The City purchased the Pacific Avenue site for relocation of the Central Works Yard to make way for a federal virology lab. This makes possible the planned consolidaton of Operations Department Districts 1 and 2 administrative and yard facilities.
- Winnipeg Transit successfully provided special charter service to over 15,000 Grey Cup fans - the largest single event charter in the department's history.
- Design, engineering and construction activities continued on major expansions to the South and West End Water Pollution Control Centres, including doubling the capacity of the primary clarification process at the SEWPCC.

CONSOLIDATED FINANCIAL STATEMENTS

To the Mayor and Members of City Council
The City of Winnipeg

We have audited the consolidated balance sheet of The City of Winnipeg as at December 31, 1991 and the consolidated statements of revenue and expenditures, equity and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Winnipeg as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles as described in Note 2 to the consolidated financial statements.

CHARTERED ACCOUNTANTS
WINNIPEG, MANITOBA
JUNE 11, 1992

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
Current Assets		
Cash and Short Term Investments	$ 103,740	$ 156,209
Property and Business Taxes Receivable (Note 3)	66,106	64,653
Less Allowance	(50,969)	(51,235)
	15,137	13,418
Accounts Receivable		
Province of Manitoba	29,090	24,774
Government of Canada	9,432	9,336
Other	28,720	27,325
Materials and Supplies	15,677	15,635
Other Current Assets	6,084	6,255
	207,880	252,952
Long Term Investments (Note 4)	130,644	162,941
Fixed Assets (Note 5)	1,008,176	955,263
Deferred Debenture Costs (Note 7(f))	13,437	14,346
Deferred Foreign Exchange	1,114	1,884
	$ 1,361,251	$ 1,387,386
Current Liabilities		
Bank Indebtedness	$ 6,429	$ 9,334
Call Loans (Note 6)	21,892	49,170
Accounts Payable and Accrued Liabilities	93,153	73,363
Accrued Interest on Long Term Debt	31,946	25,142
Current Portion of Long Term Debt	24,706	28,888
Performance and Other Deposits	3,756	4,073
Deferred Revenue	7,900	9,242
Other Current Liabilities	2,896	3,474
	192,678	202,686
Long Term Debt (Note 7)	918,199	944,808
Less: Current Portion of Long Term Debt	(24,706)	(28,888)
	893,493	915,920
Local Improvement Taxes Commuted	4,878	5,115
Deferred Long Term Liabilities (Note 8)	13,470	13,566
	1,104,519	1,137,287
Reserves (Note 9)	170,838	160,633
Surplus (Note 10)		
Appropriated	14,168	19,829
Unappropriated	71,726	69,637
	256,732	250,099
	$ 1,361,251	$ 1,387,386

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
Taxation		
Property and Business Taxes	$ 381,114	$ 358,126
Other Taxes	13,218	12,868
Grants in Lieu of Taxes	28,794	26,185
Government Transfers	113,327	105,946
User Charges		
Regulation Fees	24,084	24,506
Electricity Sales	111,342	107,552
Transit Fares and Charters	38,881	37,254
Water Sales and Sewage Services	83,974	79,702
Patient Care Services	29,172	27,339
Other Sales of Goods and Services	49,765	47,984
Surplus on Internal Service Operations	1,398	4,658
Interest	31,242	33,054
Other	11,571	7,080
	$ 917,882	$ 872,254
Municipal Operations		
General Government	$ 35,176	$ 35,387
Assessment	7,364	7,912
Planning and Development	9,846	10,189
Public Works and Operations	97,369	94,186
Protection	122,795	116,290
Health, Ambulance and Social Services	64,979	49,989
Parks, Recreation and Cultural Services	76,893	77,516
Non-Departmental		
Employee Benefits	41,813	41,286
Taxes	6,080	5,916
Depreciation and Amortization of Fixed Assets	40,171	37,480
Interest and other Financing Charges	70,502	58,680
Public Utilities		
Hydro Electric System	98,441	98,455
Steam Heating System	—	3,637
Transit System	75,577	74,196
Water Works System	50,583	46,057
Sewage Disposal System	40,790	36,755
The Municipal Hospital Commission	29,456	27,826
Civic Corporations		
The Convention Centre Corporation	8,535	7,314
Tourism Winnipeg Incorporated	1,300	1,266
Winnipeg Enterprises Corporation	5,354	4,959
Winnipeg Housing Rehabilitation Corporation	3,700	3,938
Business Improvement Zones	808	436
Other	11,745	12,719
	899,277	852,389
Surplus for the Year	$ 18,605	$ 19,865

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
Balance, Beginning of Year	**$ 160,633**	$ 143,059
ADD: Current Revenues Appropriated From Unappropriated Surplus	**28,988**	31,742
Other Appropriations from Surplus	**7,649**	7,253
	197,270	182,054
DEDUCT: Appropriations to Unappropriated Surplus for Current Expenditures	**26,432**	18,173
Other Appropriations to Unappropriated Surplus	**—**	3,248
Reserves, End of Year	**170,838**	160,633
Balance, Beginning of Year	**19,829**	9,632
ADD: Current Revenues Appropriated from Unappropriated Surplus	**183**	449
Appropriations from Unappropriated Surplus	**6,250**	13,122
	26,262	23,203
DEDUCT: Capital Project Expenditures	**11,972**	3,330
Appropriations to Unappropriated Surplus	**122**	44
Balance, End of Year	**14,168**	19,829
Balance, Beginning of Year	**69,637**	80,873
ADD: Surplus for the Year	**18,605**	19,865
Appropriations from Reserves		
For Current Expenditures	**26,432**	18,173
For Other Expenditures	**—**	3,248
Appropriations from Appropriated Surplus	**122**	44
	114,796	122,203
DEDUCT: Appropriations to Reserves		
Current Revenues	**28,988**	31,742
Other	**7,649**	7,253
Appropriations to Appropriated Surplus		
Current Revenues	**183**	449
Other	**6,250**	13,122
Balance, End of Year	**71,726**	69,637
	$ 256,732	$ 250,099

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
Surplus for the Year	$ 18,605	$ 19,865
Non-Cash Charges to Operations		
Depreciation	66,843	52,052
Amortization of Debenture Discount	909	—
Amortization of Foreign Exchange	374	512
Other	(8,476)	2,477
Working Capital from Operations	78,255	74,906
Change in Current Assets other than Cash	(7,396)	(23,391)
Change in Current Liabilities	24,355	(5,413)
	95,214	46,102
Debenture Issues	38,275	183,746
Debt Retired	(67,068)	(101,217)
Net Increase (Decrease) in Other Long Term Debt	2,651	4,150
Government of Canada Capital Grants	1,438	3,441
Province of Manitoba Capital Grants	13,830	18,414
Other Contributions	12,461	3,154
	1,587	111,688
Net Acquisition/Sale of Fixed Assets	(159,716)	(176,774)
Net Purchase/Sale of Investments	40,629	7,976
	(119,087)	(168,798)
Decrease in Cash Assets	(22,286)	(11,008)
Cash Assets, Beginning of Year	97,705	108,713
Cash Assets, End of Year	$ 75,419	$ 97,705
Cash and Short Term Investments	$ 103,740	$ 156,209
Bank Indebtedness	(6,429)	(9,334)
Call Loans	(21,892)	(49,170)
	$ 75,419	$ 97,705

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The financial statement presentation has been on a consolidated basis since 1989. In 1991 several additional entities were added to the consolidated statements, namely Corydon Avenue and Osborne Village Business Improvement Zones. Also, in 1991 revenues and expenditures related to various miscellaneous Civic Enterprises which were previously reported at net are now reported at gross. In addition, the statement of revenue and expenditures has been reclassified on a type of revenue and program of expenditure basis where possible. The 1990 comparative figures have been reclassified to conform with the current presentation.

The consolidated financial statements include the assets and liabilities, revenues and expenditures, reserves and surplus of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based on the responsibility and control exercised by the City. Interfund and intercorporate transactions have been eliminated. The consolidation includes the following:

- General Capital Fund
- General Reserve Fund
- General Revenue Fund
- Future Tax Levies Reserve Fund
- General Revenue Enterprises Fund
- Equipment Replacement Reserve Fund
- Equipment and Material Services
- Land Operating Reserve Fund
- Sinking Fund Trustees of The City of Winnipeg
- Land Dedication Reserve Fund
- Hydro Electric System
- Recreation Programming Reserve Fund
- Steam Heating System
- Watermain Renewal Reserve Fund
- Transit System
- Zoo Animals Reserve Fund
- Water Works System
- Zoo Purposes Reserve Fund
- Sewage Disposal System
- Workers Compensation Reserve Fund
- Winnipeg Ambulance Department
- Perpetual Maintenance Fund - Brookside Cemetery
- The Municipal Hospital Commission (March 31st Year End)
- Perpetual Maintenance Fund - St. Vital Cemetery
- The Convention Centre Corporation
- Perpetual Maintenance Fund - Transcona Cemetery
- Tourism Winnipeg
- Insurance Reserve Fund
- Winnipeg Enterprises Corporation (May 31st Year End)
- Corydon Avenue Business Improvement Zone
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)
- Osborne Village Business Improvement Zone
- Downtown Winnipeg Business Improvement Zone
- Exchange District Business Improvement Zone

Trust funds and their related operations administered by the City are not included in the Consolidated Financial Statements.

The Pension Funds of The City of Winnipeg are administered by the Employee Benefits Board for the payment of pensions and accordingly are not included in the Consolidated Financial Statements.

A. BASIS OF ACCOUNTING

The operations of the City are accounted for on the accrual basis except for vacation credits, sick leave credits, workers compensation claims, insurance claims, fines, and land sales which are recorded on a cash basis. Revenues for services rendered but not billed at the end of the year for the Hydro Electric System, Water Works System and Sewage Disposal System are not being accrued.

B. SHORT TERM INVESTMENTS

Investments are recorded at cost which approximate market value.

C. MATERIALS AND SUPPLIES

Materials and supplies are recorded at the lower of cost or net realizable value.

D. LONG TERM INVESTMENTS

Long term investments are valued at the lower of cost or par value. Any premiums paid on the purchase of investments are charged to operations in the year of purchase.

Bond residues and coupons are carried at cost plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

E. FIXED ASSETS

i) General Capital Fund
Fixed assets are valued at the amount of existing debenture liabilities.

(ii) Land Operating Reserve Fund
Land purchases including land acquired in tax sales and the cost of local improvements on these disposable City properties have been recorded at cost.

(iii) Equipment and Material Services
Fixed assets are recorded at cost and fully depreciated in the year of purchase with the exception of building improvements which are recorded at cost and depreciated on a straight line basis over a five year period.

(iv) Hydro Electric System
Fixed assets are valued at cost and are depreciated on a straight line basis over their expected useful lives.

(v) Transit System
Fixed assets are valued at cost with the exception of buses acquired for the year 1975 to 1983 which were expensed in the year of purchase. Depreciation is charged on all fixed assets including land and is recorded in an amount equal to the total of serial debt repayments, sinking fund levies and interest earned on sinking funds.

(vi) Water Works and Sewage Disposal System
Fixed assets of the former Metropolitan Corporation of Greater Winnipeg and projects constructed since January 1, 1972 are recorded at cost. Fixed assets of the former City of Winnipeg and former suburban Municipalities are recorded at the amount of the outstanding liabilities at January 1, 1972. The costs of fixed assets are not removed from the accounts when the fixed assets are taken out of service.
Depreciation is charged on all fixed assets including land and is recorded in an amount equal to the total of serial debt repayments, sinking fund levies, interest earned on sinking funds and general reserve debt retired.

(vii) Winnipeg Ambulance Department
Fixed assets are recorded at cost and are fully depreciated in the year of purchase.

(viii) Municipal Hospitals Commission

Fixed assets are recorded at cost and depreciated as follows:

Building - Straight line over their estimated useful lives.

Equipment - Straight line over 16 years.

Fire renovations and Day Hospital - Recorded at an amount equal to the principal repayment of the City of Winnipeg loan.

(ix) Winnipeg Enterprises Corporation

Fixed assets are recorded at cost and reduced by the amount of funds contributed for their acquisition.No depreciation is recorded on the unfunded fixed assets.

(x) Winnipeg Housing Rehabilitation Corporation

Fixed assets are recorded at cost and depreciated as follows:

Office Building - straight line over 20 years

Furniture and Equipment - straight line over 5 years

Rental Properties - an amount equal to the principal reduction of the mortgage; properties financed without a mortgage are not depreciated.

(xi) Downtown Winnipeg Business Improvement Zone

Fixed Assets are recorded at cost and depreciated as follows:

Computer Equipment - straight line over 3 years

Furniture and Fixtures - straight line over 5 years

Easy Streets Tokens - straight line over 3 years

(xii) Other Funds and Reserves

In various funds and reserves, fixed assets are expensed in the year of purchase.

F. FOREIGN EXCHANGE ON LONG TERM DEBT

All outstanding debt payable in foreign currencies is translated at year end exchange rates.Gains or losses incurred on foreign exchange translation are deferred and amortized over the remaining life of the related long term debt.

Long term investments denominated in foreign currency are translated at the rate prevailing at date of acquisition. Foreign exchange arising on maturity is credited to the deferred foreign exchange account.

G. ACCOUNTS PAYABLE

Commitments arising from purchase orders for goods and services which were not received during the year are accrued as accounts payable.

H. OVERHEAD ON CAPITAL PROJECTS

Administration (1% of capital cost to a maximum charge of $100,000 on any individual project) and interest are added on capital contract work and capitalized as part of fixed assets.

At December 31, 1991 uncollected property and business taxes amount to $66,105,763 (1990 - $64,652,904). In 1990 an allowance was provided equal to 100% of prior year's uncollected taxes and 70% of current years uncollected taxes. In 1991 this allowance was maintained at a similar level. No allocation in 1991 (1990 - $2,279,124) from the Future Tax Levies Reserve Fund was credited to the allowance after giving effect to write-offs amounting to $265,589 (1990 - $292,725).

Long Term Investments are:

($000)

	1991		1990	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Administered by the Sinking Fund Trustees of the City of Winnipeg				
City of Winnipeg Debentures	$ 66,505	$ 69,959	$ 71,235	$ 74,910
Other Investments	61,387	63,187	88,943	90,437
	127,892	133,146	160,178	165,347
Administered by the City Treasurer				
City of Winnipeg Debentures	45	45	56	56
	127,937	$ 133,191	160,234	$ 165,403
Administered by the Winnipeg Enterprises Corporation				
A 36% interest in the outstanding partnership units of Jets Hockey Ventures Ltd. (carried at cost)	2,707	No Quotation	2,707	No Quotation
	$ 130,644		$ 162,941	

Fixed assets at net book value are:

($000)

	1991	1990
General Capital Fund	$ 655,107	$ 618,705
Land Operating Reserve	15,261	14,740
Land Dedication Reserve	74	—
Equipment and Material Services	—	10
Hydro Electric System	106,382	97,013
Transit System	29,252	26,085
Water Works System	35,386	35,691
Sewage Disposal System	126,835	125,097
The Municipal Hospital Commission	9,695	9,738
Winnipeg Enterprises Corporation	4,190	5,107
Winnipeg Housing Rehabilitation Corporation	25,968	23,063
Downtown Winnipeg Business Improvement Zone	26	14
	$ 1,008,176	$ 955,263

Call loans are due to the following related funds:

($000)

	1991	1990
Civic Employees Pension Fund	$ 13,050	$ 42,535
Winnipeg Police Pension Fund	5,475	3,730
Council Members' (pre-1972) Pension Fund	41	40
Employee Group Insurance Fund	3,326	2,865
	$ 21,892	$ 49,170

a) Long Term Debt is Comprised of:

Term	Maturity Date	Rate of Interest	Series	By-Law No.	($000) Amount of Debt 1991	1990
Sinking Fund Debt						
The City of Winnipeg						
1984 - 1991	Sept. 30	12.750	UY	3807/84	$ —	$ 50,000
1987 - 1992	Feb. 24	9.000	VE	4510/87	60,000	60,000
1982 - 1992	Dec. 31	12.750	UX	3327/82	7,500	7,500
1986 - 1993	May 1	9.400	VB	4247/86	43,253	43,253
1973 - 1993	June 1	8.125	UB	383/73	7,000	7,000
1988 - 1993	Dec. 1	10.250	VG	5010/88	75,000	75,000
1974 - 1994	Apr. 1	8.750	UD	585/74	10,000	10,000
1975 - 1995	Mar. 17	9.750	UG	885/75	10,000	10,000
(C) 1976 - 1991/1996	Mar. 1	9.250	UI	1158/76	50,000	50,000
(E) 1980 - 1988/1996	May 16	14.000	UR	2622/80	25,000	25,000
1986 - 1996	Aug. 1	9.750	VC	4347/86	85,000	85,000
1978 - 1998	Feb. 1	9.750	UO	1853/78	30,000	30,000
(D) 1990 - 2000	Nov. 5	8.250	VK	5552/90	65,000	65,000
1990 - 2000	Nov. 5	11.775	VK	5553/90	65,000	65,000
(R) 1988 - 2003	Feb. 23	10.000	VF	4783/88	100,000	100,000
1991 - 2004	Nov. 1	10.000	VL	5779/91	38,275	—
1990 - 2005	Oct. 1	11.700	VI	5507/90	68,093	68,093
1989 - 2009	Dec. 14	10.000	VH	5286/89	100,000	100,000
The City of Winnipeg (Former)					—	6,560
The Metropolitan Corporation of Greater Winnipeg					—	3,200
					839,121	860,606
Serial and Instalment Debt						
The City of Winnipeg					36,349	41,301
The City of Winnipeg (Former)					—	332
The Metropolitan Corporation of Greater Winnipeg					5,496	6,570
Rural Municipality of Fort Garry					—	7
Town of Tuxedo					—	22
City of West Kildonan					45	56
Winnipeg Enterprises Corporation					4,149	4,796
					46,039	53,084
Mortgage and Bank Loans						
Winnipeg Enterprises Corporation					2,682	2,920
Winnipeg Housing Rehabilitation Corporation					24,775	21,885
					27,457	24,805
					912,617	938,495
Foreign Exchange Provisions					5,582	6,313
					$ 918,199	$ 944,808

(C) Callable
(E) Extended
(D) Deep Discount
(R) Retractable

Principal payments on long term debt over the next five years are as follows:

	1992	1993	1994	1995	1996
The City of Winnipeg Debt					
Sinking Fund Debt	$ 67,500	$ 125,253	$ 10,000	$ 10,000	$ 160,000
Serial Debt	6,424	5,508	5,402	5,087	3,180
Winnipeg Enterprises Corporation					
Serial Debt and Bank Loans	704	737	823	905	1,000
Winnipeg Housing Rehabilitaion					
Corporation Mortgage Loans	132	152	169	188	210
	$ 74,760	$ 131,650	$ 16,394	$ 16,180	$ 164,390

b) Sinking fund debenture issues provide for full sinking fund at maturity except for the following debentures which, as a result of the levies being provided and the terms of the issues, will have sinking fund deficiencies requiring the issues to be refinanced at maturity.

($000)

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
1992	4510/87	$60,000	$50,054
1993	4247/86	$43,253	$32,688
1993	5010/88	$75,000	$62,567
1996	4347/86	$85,000	$52,926
2000	5552/90	$65,000	$40,473
2000	5553/90	$65,000	$40,473

A certain portion of debentures maturing in 1992, amounting to $50,053,864 will be refinanced and accordingly has not been shown in the current portion of long term debt.

c) At maturity the long term debt is payable in the following currencies:

($000)

	1991	1990
Canadian dollars	$ 849,284	$ 873,495
United States dollars	63,333	65,000
	$ 912,617	$ 938,495

Included in the Canadian dollar debt is an amount of $43,253,000 which represents the City's Canadian dollar liability under the terms of a Japanese Yen-United States dollar fully swapped combination of loans which mature in 1993.

d) The foreign exchange liability at maturity on the United States dollar debentures at current exchange rates totalled $9,848,333 (1990 - $10,393,500). This liability is funded through retention of exchange premiums realized on foreign currency debenture issues, contributions from sinking fund surpluses and charges to current operations. The City has adopted a policy of including foreign exchange on sinking fund holdings of United States dollar securities to reduce the foreign exchange liability provision. The exchange attributed to these investments totalled $634,907 (1990 - $652,872).This has resulted in an over provision for foreign exchange of $68,202 (1990 - $27,619).

e) City of Winnipeg debentures in the amount of $112,079,695 (1990 - $74,521,134) are held as investments in the various pension plans for the employees of the City.

f) The City debentures issued under authority of by-laws 5552/90 and 5553/90 are a Canadian dollar placement in the Japanese market.The related deep discount and fees are being amortized over the life of the issues.

Deferred long term liabilities relate primarily to certain development agreements, in which the City is required to pay developers local improvement taxes to be collected in future years, in payment for improvements made which benefit property not included in the development agreements.

Consolidated Reserves consist of the following:

($000)

	1991	1990
Restricted Reserves Established Under Section 338 of the City of Winnipeg Act		
General Reserve	$ 109,478	$ 98,990
Future Tax Levies Reserve	21	359
Equipment Replacement Reserve	19,357	19,537
Land Operating Reserve	23,512	24,205
Contributions in Lieu of Land Dedication Reserve	4,024	4,297
Recreation Program Reserve	726	719
Watermain Renewal Reserve	2,797	2,940
Zoo Animals Reserve	380	328
Zoo Purposes Reserve	526	388
Workers Compensation Reserve	1,254	707
Perpetual Maintenance Fund - Brookside Cemetery	3,920	3,639
Perpetual Maintenance Fund - St. Vital Cemetery	164	145
Perpetual Maintenance Fund - Transcona Cemetery	112	97
Insurance Reserve	3,529	3,586
	169,800	159,937
Other Reserves		
The Convention Centre Corporation - Reserve for Capital Replacements	42	150
Winnipeg Enterprises Corporation - Reserve for Major Improvements	543	224
Winnipeg Housing Rehabilitation Corporation Reserves	453	322
	$ 170,838	$ 160,633

Consolidated surplus is comprised of the following fund surpluses:

	($000) 1991	($000) 1990
Appropriated		
General Capital Fund	$ 5,382	$ 5,218
Hydro Electric System	132	—
Water Works System	1,542	2,109
Sewage Disposal System	6,994	12,379
Tourism Winnipeg	118	123
	$ 14,168	$ 19,829

	($000) 1991	($000) 1990
Unappropriated		
General Revenue Fund	$ 1,138	$ 694
General Revenue Enterprises Fund	829	440
Equipment and Material Services	9,540	8,467
Hydro Electric System	33,204	29,188
Water Works System	12,483	13,226
Sewage Disposal System	13,305	16,289
Municipal Hospitals Commission	1,042	568
Sinking Fund Trustees of the City of Winnipeg	55	206
Convention Centre Corporation	(173)	40
Tourism Winnipeg	7	6
Winnipeg Enterprises Corporation	(150)	(136)
Winnipeg Housing Rehabilitation Corporation	(8)	277
Winnipeg Public Library Board	11	—
Downtown Winnipeg Business Improvement Zone	341	333
Exchange District Business Improvement Zone	73	39
Osborne Village Business Improvement Zone	29	—
	$ 71,726	$ 69,637

The property tax roll initial billing for the year totalled $606,748,023 (1990 - $568,387,814). This included property taxes of $287,788,900 (1990 - $268,788,636) collected on behalf of local School Authorities. Property taxes and grants in lieu of property taxes collected for School Authorities are paid to them based upon a formula set by the Province of Manitoba and are not reflected as revenues or expenditures in these financial statements. Property taxes less reductions including those resulting from assessment appeals and other adjustments for the year reduced the amount by $1,251,102 (1990 - $5,381,372 increase).

On December 20, 1989 City Council of the City of Winnipeg approved the amalgamation of eight pension plans into one plan. All employees of the City of Winnipeg with the exception of the police, are members of the Civic Employees' Pension Plan. The police are members of the Police Pension Plan. Both of the plans are defined benefit, final average pension plans. The present value of the accrued pension obligations and the pension fund assets available to meet these obligations, calculated in accordance with the recommendations of the Canadian Institute of Chartered Accountants, is as follows:

	($000)
Pension Fund Assets, At Market Value	
The Amalgamated Civic Employees' Pension Plan	$ 1,206,596
Police Pension Plan	229,101
Accrued Pension Obligations	
Civic Employees' Pension Plan	$ 1,037,597
Police Pension Plan	208,872

Pension Plan data is based on an actuarial valuation as at December 31, 1991.

No separate pension fund is maintained for the Pension Plan for Members of Council. The members contributions are paid into the City's General Revenue Fund and benefits are paid out of that fund. An actuarial valuation has estimated the unrecorded pension liability as at December 31, 1991 to be $3,702,500.

The City has entered into a number of lease agreements mainly for the lease of accommodation for civic offices. Future minimum lease payments are as follows:

		($000)
1992	$	10,707
1993		9,553
1994		9,387
1995		9,144
1996		5,964
Subsequent		7,864
	$	52,619

a) Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the balance sheet. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this liability is estimated at $23,493,717 (1990 - $23,764,430).

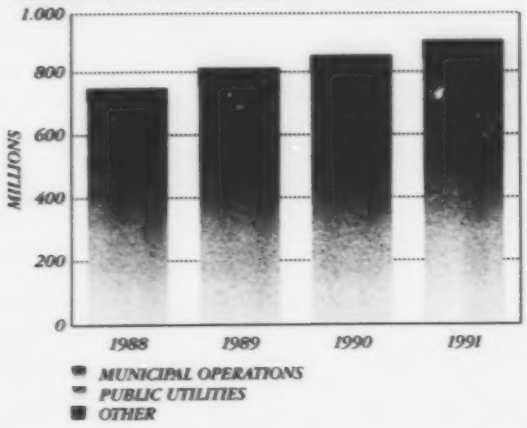
b) The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board, the City pays actual costs incurred plus an administration charge. The City recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this liability where payment is issued directly by the Workers Compensation Board has been estimated by the Board to be $5,054,699. The amount of the liability where payment is issued by the City has not been determined.

c) Under the sick leave credit plan for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The amount of this liability has not been determined.

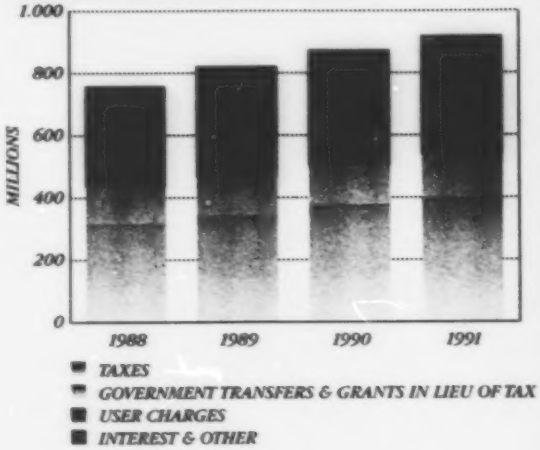
The City is defendant in six significant lawsuits as at December 31, 1991. At this time the ultimate liability is not determinable. Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc. Any gain or loss will be accounted for as a charge or credit to the period in which settlement occurs. The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several community centres. The outstanding balance on these loans as at December 31, 1991 is $1,424,251 (1990 - $982,752).

STATISTICAL INFORMATION

CONSOLIDATED EXPENDITURES BY FUNCTION



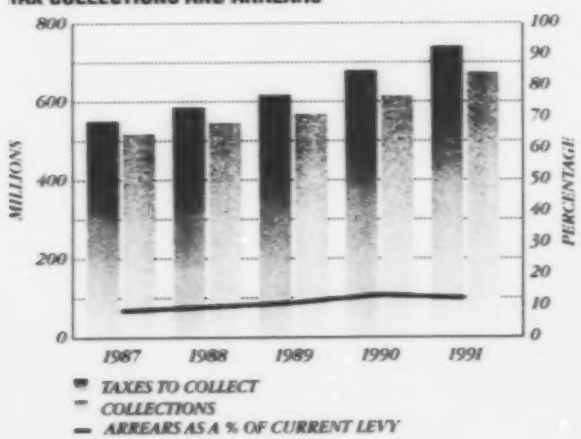
CONSOLIDATED REVENUES BY SOURCE



Notes to Consolidated Expenditures by Function and to Consolidated Revenues by Source

1. The City changed from a combined to a consolidated financial statement presentation in 1989 effective as of 1988. Comparative data for 1987 is therefore unavailable.
2. Prior to 1990, Utilities debt charges were reported as part of municipal operations debt charges.
3. Tourism Winnipeg and the Winnipeg Housing Rehabilitation Corporation expenditure were included as of 1989.

TAX COLLECTIONS AND ARREARS



TAXABLE ASSESSMENTS BY PROPERTY CLASSIFICATIONS AS AT THE CLOSING OF THE REALTY ASSESSMENT ROLLS

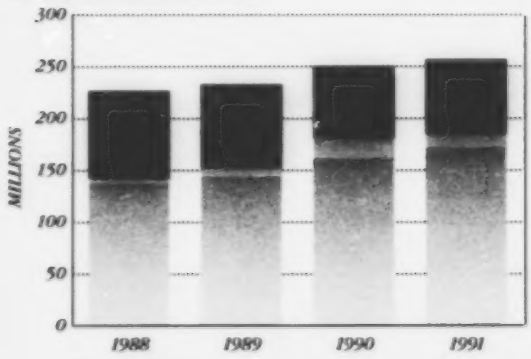
	1991	1990	1989	1988	1987
Residential – Improved	$ 5,412,248,940	$ 5,299,193,070	$ 4,512,244,000	$ 4,297,630,860	$ 4,215,725,090
Residential – Vacant	79,832,580	92,710,880	93,437,210	118,124,370	103,371,590
Apartments	1,187,875,670	1,231,178,430	556,260,510	535,212,850	525,465,660
Agricultural	81,858,760	81,469,000	115,273,670	153,528,520	160,396,380
Commercial, Industrial – Improved	2,767,309,500	2,652,289,450	2,079,627,530	2,029,127,610	1,994,869,640
Commercial, Industrial – Vacant	68,209,810	84,762,840	70,910,340	75,975,560	79,685,940
Personal Property	96,526,460	94,304,990	65,122,970	64,877,590	63,601,530
	$ 9,693,861,720	$ 9,535,908,660	$ 7,492,876,230	$ 7,274,477,360	$ 7,143,115,830

MUNICIPAL MILL RATES

	1991	1990	1989	1988	1987
Uniform Mill Rate	32.919	31.418	—	—	—
Residential 1 (1-4 dwelling units)	—	—	32.246	31.225	30.959
Residential 2 (5 or more dwelling units)	—	—	52.824	51.477	50.475
Residential 3 (owner occupied Condos or Cooperative Housing)	—	—	32.246	40.177	39.929
Farm Property	—	—	11.939	11.635	12.808
Statutory	—	—	131.775	128.415	127.486
Golf Courses	—	—	15.712	15.311	15.235
Institutional	—	—	44.716	43.576	41.972
Other (Commercial)	—	—	39.567	38.588	37.485

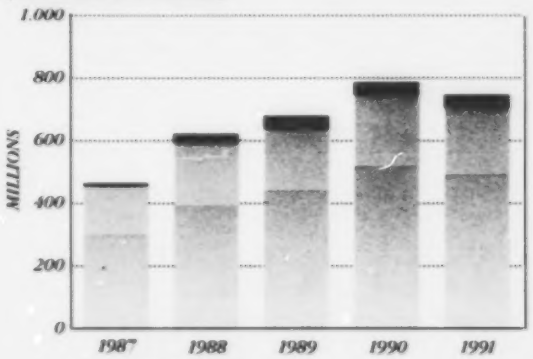
Notes: The 1990 reassessment adopted a uniform mill rate for all classes. The mill rate is applied to the portioned assessment which represents the portion of the total assessment value of the property subject to taxation.

RESERVES AND SURPLUS



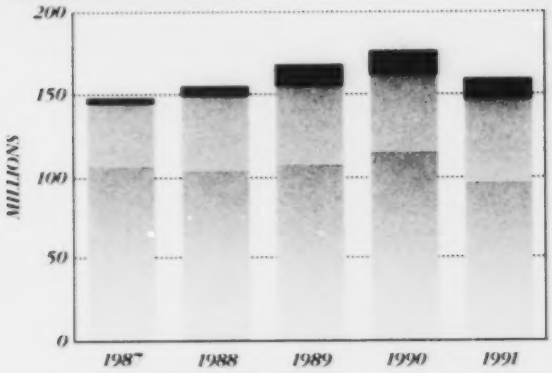
Data for 1987 is unavailable as the financial statements were first consolidated as of 1988

SUMMARY OF CONSOLIDATED LONG TERM DEBT (LESS SINKING FUNDS)



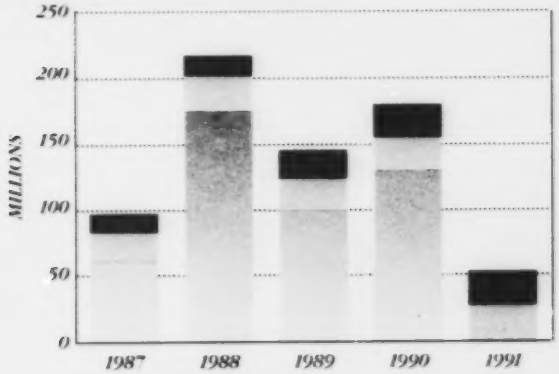
Since consolidations were first performed in 1988 only combined figures for 1987 long term debt are presented. Winnipeg Housing Rehabilitation Corporation debt was first included in the 1989 consolidated statements.

CAPITAL EXPENDITURES



Corporations capital expenditures were not included until 1989

SOURCES OF CAPITAL FINANCING



No new debentures were issued in 1991

MISCELLANEOUS STATISTICS

	1991	1990	1989	1988	1987
Population (per Statistics Canada)	610,300	608,600	605,600	602,900	600,900
Housing Starts	1,369	1,692	3,227	4,214	5,942
Unemployment Rate					
– Winnipeg	10.0%	7.8%	7.9%	8.2%	7.9%
– National Average	10.3%	8.1%	7.5%	7.8%	8.8%
Social Assistance Costs	$ 51,312,782	$ 36,836,474	$ 33,158,705	$ 32,312,635	$ 29,933,943